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COUNTRY NARCOTICS PROFILE PAPER: PERU

I. Current Drug Situation

A. Overview

Peru has an estimated population of about 18.0 million, and is the third largest country in area in South America. Located on the Pacific coast, it is bordered by Ecuador, Colombia, Brazil, Bolivia and Chile. In May 1980, following twelve years of military rule, Peru held free elections. However, the country is in a weak economic position due to a low economic growth rate brought on largely by a scarcity of foreign exchange and weak domestic demand for consumer and investment goods.

During the 1970's Peru emerged as one of the world's two principle producers of coca leaf (Bolivia being the other). It is estimated that as much as three-fourths of the cocaine hydrochloride (HCL) produced in Colombia is the product of coca leaf obtained in Peru. Although there is no single agreed estimate for how much coca is grown in Peru, the U.S. Embassy in Lima estimates that 50,000 hectares are under cultivation producing 50,000 metric tons of coca leaf annually. Since only about 14,000 metric tons are needed for licit domestic and international use, 36,000 metric tons are excess and thus available to the illicit international market. The majority of coca leaves grown in Peru is processed into coca paste and base and smuggled to Colombia and Brazil for the manufacture of cocaine HCL, which is then transshipped to the United States and other foreign markets. More than one-half of the cocaine consumed in the United States is estimated to be a product of Peruvian coca leaf.

B. Social, Economic and Political Environment

Large numbers of indigenous Peruvians have grown and chewed coca for more than 2,000 years. Peruvian law permits coca to be grown in specified locations and in specified quantities for traditional use and for legal pharmaceutical purposes. Legal cultivation is licensed and its marketing is controlled by the Government of Peru (GOP) through ENACO (the government national coca monopoly). Any program to reduce the level of cultivation of coca must take into account licit cultivation and needs.

There are few hard data on domestic drug abuse in Peru, although indications are that it is increasing. Moreover, informal reports from medical clinics point to a serious increase in the dangerous practice of smoking coca paste.

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The contribution of cocaine trafficking to the Peruvian economy is estimated at approximately $850 million per year, making it one of Peru's three or four major foreign exchange earners.

The GOP is aware of its position as one of the world's major suppliers of the raw material for cocaine and is greatly concerned that the illegal coca traffic not lead to the widespread corruption of law enforcement officials that has occurred in other countries. Major political parties and politicians have denounced the traffickers and their deleterious impact on the country.

While the importance of economic problems and development has precluded the GOP from assigning the highest priority to an anti-narcotics effort and although some politicians occasionally express sympathy for the individual coca grower, the GOP has cooperated substantially with the United States in attempting to reduce the traffic in illicit narcotics. Not only has the GOP in recent years enacted a number of laws which carry stiff penalties for narcotics offenses, the government in Lima more than doubled its resource commitment to narcotics control programs between 1978 and 1980 (from about $1.3 to $3.1 million). Concomitantly, the GOP has increased the number of both people and organizations responsible for reducing the illicit narcotics trade.

Peruvian laws impose heavy penalties on drug traffickers. Since there is no bail for drug offenses, and because of heavy court loads, accused persons often remain in jail for up to two years before conviction. While the United States has a Prisoner Exchange Treaty with Peru, where at present approximately forty U.S. citizens are incarcerated for drug offenses, only four U.S. prisoners have returned to the United States.

Recently, Peru hosted a Latin American Ministers of Justice conference at which narcotics trafficking was considered in more detail than at any previous such meeting. The consensus of the group was that more coordination on drug laws and more effective efforts to control trafficking are necessary.

C. Illicit Drug Pattern

Peru is the world's largest producer of coca leaf. It is grown in a belt of land along the eastern slopes of the Andes at elevations generally between 500 and 2,000 meters above sea level. The best estimate of acreage devoted to coca cultivation in Peru is 50,000 hectares. Subtracting the 14,000 metric

tons required for licit use from an overall estimate of 50,000 metric tons of production per annum, leaves 36,000 metric tons for the illicit market. Cuzco Department in the south is a traditional growing area and its leaves are preferred by indigenous chewers. In the early 1970's large-scale illicit coca cultivation was introduced in the Upper Huallaga Valley, in central Peru, which may have become the second most important growing area. However, other potential areas for coca cultivation in Peru are extensive.

Coca derivatives, or the more familiar HCL powder form, are illegally exported from Peru by a variety of methods: ships, private and commercial aircraft, vehicles and river boats utilizing the primary exit points of Callao, the Lima International Airport, Iquitos International Airport and numerous locations and towns along thousands of kilometers of unpatrolled border and coastline.

II. Efforts at Drug Control to Date

A. Objectives and Institutions

Since 1978 INM has been working with the government of Peru to support programs designed to reduce the production and trafficking in illegal narcotics at its source. The U.S. Government has spent a total of $3,672,000 in assisting the Peruvian narcotics control program. The initial thrust of program support was weighted heavily in favor of enforcement activities; however, the current trend is toward a balanced program of enforcement, education, and income substitution as a more effective approach to combat the problem.

The governments of the United States and Peru have adopted as the short-term goal for the narcotics program in Peru the reduction of the illicit international traffic in narcotics, particularly cocaine, originating in Peru. Broadly, the long term goal is to reduce the production of coca leaf in Peru to the level required for legitimate domestic consumption and export. Within the framework of these objectives, the U.S. Government has entered into various project agreements with key agencies involved in the narcotics control effort. The U.S. is especially interested in enhancing the operational and intelligence coordination among all Peruvian narcotics enforcement agencies. Among these groups, the Peruvian Investigative Police (PIP) and the Guardia Civil (GC) have been the principle recipients of U.S. aid. The PIP has received $1,001,000 in U.S. financial assistance and the GC $741,000 over a three-year period (FY 1978 through FY 1980).

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The 10,000 person force of the PIP is charged with the investigation of all felonies, including narcotics offenses. The Directorate of Illicit Trafficking in Drugs (DINTID) was established within PIP in 1975 for the express purpose of investigating narcotics offenses; in 1978 it was given that responsibility exclusively. Currently, DINTID has a staff of approximately 270 people. In FY 1981 the PIP will receive $250,000 in commodities support and training.

The GC, with its 28,000 person force is responsible for crime prevention, investigation of misdemeanors and, in areas where there is no PIP presence, the investigation of all criminal offenses. By law the GC is charged with enforcing existing laws regarding cultivation, production, marketing, movement and possession of coca leaves. Recently a 75 member Mobile Rural Patrol Detachment (UMOPAR) was created by the GC in Tingo Maria. This unit, which is scheduled gradually to increase to 300 personnel by early 1983, is devoted exclusively to the control of coca production. Funds totalling $1,000,000 will be directed to the GC (primarily UMOPAR) in FY 1981.

Both the PIP and the GC have narcotics units functioning on national and regional levels. Each has a narcotics training center for its personnel and mobile training teams to provide instruction in the outlying areas.

The Guardia Republicana, responsible for border control, and the Customs Service, which controls export/import activities, aid in the enforcement of Peruvian narcotic laws. The Customs Police Patrol and Intelligence Bureau (CPPI) is an enforcement branch of the Peruvian Customs Service which, in turn, reports to the Ministry of Economy and Finance. The CPPI has the responsibility for inspecting passengers and baggage departing Peru, and particularly interdicting outgoing narcotics and contraband. The 850 member CPPI force was supported by the U.S. Government in 1979 only, with a total project agreement amounting to $70,000. For FY 1981, a $75,000 agreement has been signed.

The Ministry of Education has responsibility for the bulk of drug prevention programs, although narcotics treatment and rehabilitation programs are rudimentary in Peru. Since 1979 INM has provided $120,000 to support the Ministry in its efforts to provide the Peruvian educational system with information about drug abuse prevention. An FY 1981 Project Agreement will provide $100,000.

During the past two years INM has earmarked $55,000 for the Office of the Attorney General for Narcotics (OAGN) and will fund $20,000 more in FY 1981. The OAGN was established in

1978 in response to the sharply rising backlog of narcotics cases pending in the lower courts. The OAGN tracks prosecutions in the lower courts and maintains the files of all narcotics cases pending in the judicial system. It has increased its staff from four to fourteen, including eight attorneys.

The Executive Office of Narcotics Control (OFECOD) was created in 1978 to coordinate all government activities to suppress illicit narcotics trafficking, prevent drug abuse, rehabilitate addicts and eliminate illegal coca crops. In FY 1980 an INM project agreement provided $25,000 in commodities and other items to help OFECOD carry out its goal. In FY 1981 the funding level will be at $25,000.

B. Eradiction and Income Substitution

Coca is a hardy deep-rooted plant difficult to eradicate manually. It is also frequently grown in isolated areas and locations and access to the fields is a problem. The Green Sea Operation in 1980 was Peru's first major effort to eradicate a portion of the coca crop. The Department of State through INM collaborated with the government of Peru on this operation by providing supplemental funding. The success of the operation was primarily psychological, although many of the coca fields effected by the operation have been abandoned.

In 1979 the U.S. Government, in collaboration with Peru's National Agrarian University of the Jungle (UNAS), began a pilot project to test the feasibility of successfully encouraging farmers to switch from the growing of illicit coca to alternative crops. The initial project agreement, signed in 1979, was the pilot for a large income substitution program in the Upper Huallaga Valley. Through 1980, INM has provided $350,000 to assist the UNAS in this program. A $300,000 project for FY 1981 has been signed.

The Upper Huallaga Valley Project* is intended to be a joint effort by State (INM), AID and the government of Peru. It targets an estimated 17,000 hectares of illicit coca cultivation. This five year agricultural development/coca substitution project in the Upper Huallaga Valley is the first USG-supported experiment in which the long-advocated strategy of coordinating INM's support for enforcement with AID's development assistance will be implemented. The AID agricultural development project, which was signed with the GOP on September 15, calls for a loan and grant of $18.0 million over a five-year period to finance a program of combined agricultural research and extension credit, and other activities in the Upper Huallaga. INM plans, contingent upon annual appropriations, to

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* See attached Annex for detail.

expend $17.5 million on enforcement and eradiction of illicit coca, also over a five-year period. The Peruvian Air Force is now completing an INM-funded aerial survey of the Upper Huallaga Valley which will enable us to determine the exact location of coca areas and acreage in the area.

III. Prospects for the Future

The critical factor affecting the success of the INC program in Peru is the commitment of the government of Peru. The Fernando Belaunde Terry administration has demonstrated its dedication to the anti-narcotics effort but continuing economic and development difficulties, combined with internal security problems limit the ability of the government to commit significant human and monetary resources. Moreover, the need for an integrated income substitution and agricultural development program is manifest if we are to have any prospect of a long-term solution to the problem. Consequently, it is important that the USG be prepared to contribute sufficient sums toward not only enforcement/control efforts, but also toward agrocultural development goals.

IV. Key Government Officials

A. Host Government

President	Fernando BELAUNDE Terry
Minister of Interior:	Jose Maria DE LA JARA
Director of the PIP:	Eduardo IPINZE
Director of the GC:	General Humberto CATTER
Director of Customs:	Thomas SCHOLFIELD
Executive Director of OFECOD:	Luis Guillermo THORNBERRY
General Manager of ENACO:	Alberto TRELLES
Attorney General for Narcotics:	Elias APARICIO

B. U.S. Embassy Lima

Ambassador:	Edwin G. Corr
DCM and Narcotics Coordinator:	Gerald Lamberty
Narcotics Assistance Unit Director:	Larry Thompson
Narcotics Assistance Unit Assistant Director:	Gary Schatz
DEA Agent in Charge:	William Wetherington

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PLAN FOR CONTROL OF ILLICIT COCA CULTIVATION:
UPPER HUALLAGA VALLEY

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Background

The Upper Huallaga Valley is located on the Eastern slopes of the Andes between two mountain chains. The Valley is approximately 200 miles long and 10 miles wide. The region is characterized by high rainfall, a tropical climate, and rugged topography. Agriculture in the Upper Huallaga includes cacao, coffee, rice, corn, palm oil, bananas, livestock and of course, coca.

Coca has been grown in small quantities in the Upper Huallaga for at least 50 years, but in the 1970's the Upper Huallaga became the largest producing area for the illicit cocaine market. An estimated 25% of the cocaine consumed in the United States has its origin in the Upper Huallaga. An aerial survey being completed will help determine exact coca acreages in the Upper Huallaga, now estimated at a maximum of 17,000 hectares (42,000 acres). The hypothetical cocaine production from this acreage would exceed total U.S. consumption of cocaine.

The Coca Agro-Industry

Coca is a bush with a life span of about 30 years. Coca leaves are harvested from the bush 3 to 6 times a year. A bush may be harvested at 18 months of age, though maturity is usually at three years. The leaves may be sold through legal channels for industrial purposes or for the traditional Andean custom of chewing the leaves. However, the great majority of coca leaves produced in the Upper Huallaga is sold to the lucrative illicit market for the production of cocaine paste which is smuggled out of the Valley to Colombia or, in lesser amounts, to Lima or Brazil. Cocaine paste is then converted to cocaine HCL, the coca derivative most commonly consumed in the United States. Approximately 100 kilograms of coca leaf is required to produce one kilogram of cocaine paste and about 2.5 kilograms of cocaine paste is needed to make one kilogram of cocaine HCL. The value added, illustrated by the following chart, is enormous for these conversions:

	Value
250 kg of coca leaf	$ 1,000
Equals 2.5 kg of cocaine paste	$ 2,500
Equals 1.0 kg of cocaine HCL at Lima prices	$15,000
At Miami wholesale prices	$60,000
At U.S. street prices	$300,000

Coca is an attractive crop for the Peruvian farmer because it can be grown on poor soils unsuitable for other agriculture and yields higher returns than almost all other crops. The coca grower may further enhance his income by the manufacture of cocaine paste which is then smuggled out of the Upper Huallaga valley.

Coca cultivation is the major source of income for more than 7,000 farmers in the Upper Huallaga and its value contributes more than 60% of the economy of the region. There are two basic types of coca farmers in the Upper Huallaga: (1) long-time residents who own land and also cultivate other crops; and (2) recent immigrants who grow only coca and occupy land illegally or as squatters. A substantial number of the long-time residents are registered coca growers. However, most of them, although they have some claim to the legality of their coca cultivation, sell all or most of their production to the illicit market.

U.S. and Peruvian Programs in the Upper Huallaga

U.S. and Peruvian interest in the Upper Huallaga coalesced in 1979 when it became evident that the Upper Huallaga was a major coca production and narcotics trafficking center. Sizeable police operations took place in the Upper Huallaga in November 1979 and April 1980. The information gathered during these operations resulted in a GOP request (from a military goverment that relinquished power to a civilian government in July 1980) for U.S. assistance to eradicate illegal coca cultivation in the Upper Huallaga and to develop a complementary agricultural development program.

The AID assistance program, signed with the GOP on September 15, calls for $15 million in loan funding and $3 million in grant funding over a period of five years to develop research, extension, agricultural credit resources and farm production services in the Upper Huallaga, and to improve the road network of the Valley. The ultimate goal of the AID project is to increase and diversify agricultural production in this high jungle region. However, the project is anticipated to help minimize the negative social and economic effects of an INM-financed coca control program. Contingent on the availability of funds, AID will consider future assistance to the Upper Huallaga or to other high jungle regions where coca is a problem when the results of this project are clear and when further studies and the results of adaptive research become available.

The State Department (INM) has pledged, contingent upon annual budgetary appropriations, $15 to 20 million in grants

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over five fiscal years for continued assistance to Peruvian enforcement agencies, the elimination of illicit coca in the Upper Huallaga and a coca control program in other coca growing areas of Peru.

INM funds will be used to continue support to the principal narcotics supression agencies--the Peruvian Investigative Police and an expanded Guardia Civil Rural Patrol Unit in the Upper Huallaga devoted exclusively to narcotics suppression and coca control. A coca control and reduction program focused principally on the Upper Huallaga will be initiated and U.S. funds will be used to assist in the reduction of coca acreage to legal limits. Aerial surveys will be used to monitor coca cultivation in selected areas and to detect as early as possible new areas of coca cultivation. Agricultural research activities in the Upper Huallaga now being financed by INM will be assumed under the AID the project after the first year of implementation. However, additional crop substitution programs may begin in other coca growing regions with INM financing.

International Narcotics Control Project agreements totalling $2.025 million for FY 1981 have now been signed with the GOP. Eight hundred thousand dollars of this sum will be devoted to the Upper Huallaga Project. A final project agreement for $1.0 million is pending before the Peruvian Ministry of Interior. Its funds will be used solely in the Upper Huallaga.

Progress and Problems

AID studies have concluded that the Upper Huallaga Valley has some favorable prospects for the development of crops alternative to coca. Within the project area there are 70,000 hectares of land which are suitable for cultivation. Priority crops for promotion include rice, cacao, soybeans, and bananas. Development problems include deficiencies in the technical infrastructure of the Upper Huallaga, marketing difficulties and, for some lands, drainage. Additional studies and adaptive research to overcome these problems are planned.

Thus far, the INM-financed coca control program has had good preliminary results. Its accomplishments include the following:

1. Three to five percent of coca cultivation in the Valley has been abandoned and the coca replaced by natural vegetation. Additional coca cultivations are not being harvested to their full potential.

2. For the most part, large-scale narcotics traffickers have left the Valley. The majority of the trafficking in that area now consists of small dealers smuggling a few kilograms of cocaine paste out of the Upper Huallaga.

3. The profitability of coca cultivation has decreased. The price coca farmers receive for their product is substantially less in 1981 than it was in 1979. This price drop reflects the traffickers' passing on their increased risk to the farmers.

Other developments in the Upper Huallaga have also been favorable to the development of an agricutural economy not dependent on coca. The World Bank plans to complete paving of the highway bisecting the Valley. Major investments in the expansion of an oil palm industry are now being considered by private investors and a cooperative is planning to construct a plant to process cacao. The Belaunde administration has shown an increased interest and attention in the development of the jungle areas of the country.

The critical factor that will influence the success of a coca reduction/agricultural development program in the Upper Huallaga will be the continued strong commitment of the GOP to this objective. Narcotics traffickers in Peru possess substantial economic resources to oppose such a program and the potential for political problems with the numerous coca growers certainly exists. U.S. assistance can help sustain the Peruvian government in its commitment, lessen the potential for political difficulties resulting from coca reduction and contribute to Peru's agricultural development.

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